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THE SPOKEN WORD HAS PRECEDENCE.

Christian Kullmann—Chairman of the Executive Board, Evonik Industries AG

Statement at the Annual Shareholders' Meeting on May 31, 2023 in Essen (Germany)

Leading Beyond Chemistry

Welcome

Ladies and gentlemen:

A warm welcome to this year's annual shareholders' meeting. When I addressed you last year, we were both proud and very troubled.

We had successfully weathered the pandemic and Evonik had made its contribution to that. We had demonstrated that Evonik is robust and resilient. Our business had started 2022 well, in fact, better than expected. However, our optimism was overshadowed by Russia's invasion of Ukraine.

It soon became clear that this would have serious implications, not only for the people in the affected areas, but also for the development of the global economy and thus for Evonik. It confronted us with new challenges on a previously unknown scale.

And now, a year later, there is no sign of the war ending, or of a stable post-war peace.

In Germany and worldwide, we have to live with greater uncertainty than in previous years. And that will continue to affect us for a long time.

There are two ways of dealing with this: Either we can get nervous and react hastily, or we can believe in our own strengths, thoughtfully overcome the obstacles, and prepare ourselves with foresight for a better future.

To put it clearly, ladies and gentlemen: For us at Evonik, moving forward is the only option. Because we can see that only continuous change can make Evonik stronger and more successful. That is what I will show you today.

Let us start with the virtual format of today's meeting. With the consent of the Supervisory Board, we decided to hold today's meeting remotely. The new format, which the lawmakers have made available to us for the first time this year, gives virtual shareholders' meetings the same status as in-person meetings. You—our shareholders'—have the right to speak, obtain information, and ask questions in real time at today's meeting. We look forward to the dialogue with you. At the same time, we would like to assure you that today's virtual format does not mean that we have decided against the familiar in-person format in the Grugahalle in Essen. Like many other well-known companies, we are using the format this year as a learning process and will analyze the AGM season very carefully to assess the pros and cons.

No doubt you have also noticed another change:

Today, I'm pleased to introduce you to our new CFO, Maike Schuh. In addition to her proven expertise in financial controlling, she has valuable experience of the operating business, both in Germany and abroad. She will be using this experience and expertise to drive forward our finance function.

Now let us turn our attention to the challenges and changes in our business.

2022—A year full of new challenges

The geopolitical tensions confronted us with many challenges:

We had to overcome supply bottlenecks.

There was no more gas from Russia.

Our raw material costs rose sharply.

And at the end of the year, demand plummeted because our customers' warehouses were full and the hopes of an upswing in China did not materialize.

Nevertheless, thanks to our timely preparations, we were able to react swiftly. We largely overcame these new challenges.

Evonik delivers: a robust performance in tough conditions

Despite all the hindrances, we delivered!

That was due to the tremendous work of our committed employees. Our supply chain specialists made sure our customers got what they needed. Our hedging strategy for the procurement of energy helped us cushion the sharp rise in prices. And that helped us achieve our financial targets.

We grew sales 24 percent to €18.5 billion. Although the increase was partly due to high inflation, it also reflects Evonik's market strength in its specialty businesses. Despite a drop in volumes sold, we managed to offset the at times sharp rise in variable costs by raising prices.

Adjusted EBITDA improved by 4 percent to €2.5 billion, the highest level for ten years. And although the second half of the year was significantly weaker, we achieved the lower end of the range outlook announced already in March.

Our free cash flow was € 785 million. Adjusted net income rose 7 percent to €1.05 billion. Therefore, Evonik achieved adjusted earnings per share of € 2.26 in 2022.

As you can see, Evonik performed satisfactorily in truly challenging market conditions.

And the uncertainties have strengthened our resolve to stringently pursue Evonik's strategic development.

Successful start to the next phase of our strategic transformation

A year ago, ladies and gentlemen, I presented the evolution of our strategy to you. In a nutshell, the aim is to integrate sustainability even more systematically into all elements of our corporate strategy—portfolio management, innovation, and our corporate culture. We are investing specifically in green growth and making sustainability a central innovation driver.

Through its green transformation, Evonik is positioning itself well for the future and can continue to strengthen its leading market positions. Our product portfolio is becoming more sustainable. In production, we are saving energy and significantly reducing CO_2 emissions.

That is the future—that is Next Generation Evonik.

Climate change offers opportunities: focused initiatives to reduce emissions

Allow me to give you some examples that show how we are putting our strategy into practice.

One example is energy supply: Continued operation of our coal-fired power plant in Marl was an emergency measure to make us independent of Russian gas in record time. We paid a high price for that, not just in monetary terms, but also through a higher short-term carbon footprint. That was the right response—in the short term. However, we have not lost sight of our long-term goal of driving forward our green transformation.

We recently signed two agreements with the utility company EnBW for the long-term supply of green electricity. They guarantee us 150 megawatts of wind power from the North Sea. From 2026, renewable energies will meet a third of our electricity requirements in Europe. And that is only the start. We are working on similar agreements in Asia and North America. From 2030, all of Evonik's purchased electricity will come from renewable sources. In this way, we are making Evonik independent of fossil fuels—and placing our energy costs on a secure basis.

Systematic portfolio alignment

Neither have we lost sight of the restructuring of our portfolio. Our focus is quite clear: specialty chemicals and sustainable solutions.

That includes withdrawing from businesses that no longer fit Evonik. Last year, we sold the TAA derivatives business in Marl (Germany) and the betaines business in the USA. The portfolio changes we are tackling this year are even more extensive—the planned divestment of the Performance Materials division. We completed the first step at the beginning of April with the sale of our site in Lülsdorf (Germany). Next in line are the superabsorbents business and C4 chemicals.

The realignment of our portfolio also includes adapting business models when the key financials no longer fulfil our targets.

We will therefore be placing our animal nutrition business—especially methionine distribution—on a more efficient basis in the future. We are already the world's biggest supplier. Now we want to become the most competitive again.

Sustainability as an opportunity: growth driver for our portfolio

The motto of our portfolio transformation is: we are concentrating on businesses with high growth rates and above-average profit margins.

We are achieving that through selective acquisitions and divestments and through organic growth—with innovations and investments that steadily increase the proportion of products and solutions with superior sustainability benefits, our Next Generation Solutions.

Bio-based rhamnolipids are good examples of such products that create high demand. Evonik is the first company in the world that has managed to develop novel surfactants that are completely biodegradable. They are used as environment-friendly ingredients for shower gels and cleaning agents. That is also helping our partner Unilever decarbonize its products without compromising on their performance.

The dynamic development of these and similar products highlights their high value: Last year the proportion of group sales generated with our Next Generation Products increased from 37 percent to 43 percent. By 2030, it should exceed 50 percent.

Innovation as a key to success

Innovations are the principal drivers of our new products. We group their development in six innovation growth fields, which will generate additional sales of more than €1 billion for our company by 2025. We made good progress towards that goal in 2022. We increased sales with such products by more than 20 percent to over €600 million.

To make sure our innovative solutions are close to our customers, we are extending our innovation centers in growth regions.

Last fall, we opened a new innovation center in Allentown in the USA. This site will be our leading R&D center in North America. We also have innovation centers in Singapore, India, and China.

In November 2022, we opened a new center for lithium-ion batteries in Shanghai.

Investment in innovative projects in our key regions

Last year, to further boost innovation, we invested adequately.

In view of the geopolitical uncertainties, we take several criteria into consideration in every investment. We remain close to our customers and markets and grow with them. We keep an eye on the risks. And we invest where the conditions are best—taking a global view.

We are building our new production facility for lipids for mRNA active ingredients in the US.

The production plant for the bio-based rhamnolipids I mentioned earlier is being built in Europe, in Slovakia.

In Germany, we are investing in an electrolyzer at our site in Herne to produce green hydrogen. This is a pilot project. The hydrogen produced there is a precursor for the production of isophorodiamine, a key raw material for rotor blades for wind turbines.

In Japan, we are investing in precursors for batteries and in Singapore in more sustainable methionine production.

Overall, our investment in these projects will be in the substantial triple-digit-million-euro range. In view of their benefits for sustainability and regional job creation, they are co-funded by some governments.

That is our answer to the challenges of our times: focused investment in the transformation to sustainability and a foresighted geopolitical positioning.

Diversity and a performance culture to shape our future

Highly trained and motivated employees are essential to realize our ambitious strategic transformation. In the years ahead, it will therefore be important to keep a firm eye on the changes on the HR side.

Here too, the conditions are difficult: demographic change and a shortage of skilled workers on the one hand, and curbing costs and raising efficiency on the other.

To address these challenges, we are striving for a better structural balance, greater performance orientation, and more diversity. That makes us more attractive as an employer.

We achieve a structural balance, for example, by purposefully recruiting specialists in future-oriented fields and offering the best vocational training and continuing professional development. In 2022, we hired 450 new employees for innovation and IT and 100 process technology engineers. We have more than 1,500 apprentices. We also consider where vacancies that arise do not need to be filled, for example, in administration— because we want to reduce our administrative costs further.

Stable dividend and high dividend yield of around 6 percent

Naturally, we would like you, our shareholders, to participate in Evonik's successful development.

Evonik has a long-term dividend policy geared to reliability and continuity—even and precisely in uncertain times.

Despite the challenging environment, today we are therefore proposing a stable dividend of €1.17 per share for fiscal 2022.

Our high dividend yield of around 6 percent confirms our position among the leaders in the chemical industry.

Evonik shares—Price performance in 2022 and 2023

We can directly influence our dividends, but we can only indirectly influence the share price, because many external factors also play a part.

Having been driven to a large extent by the impact of the coronavirus pandemic in 2020 and 2021, the situation on the capital markets remained turbulent in 2022. Alongside China's strict zero-Covid policy, the economy was held back, above all, by the war in Ukraine and its consequences, resulting in falling share prices. The most important stock indices ended the year with significant losses. This also applied to shares in Evonik. Although the share price posted gains in 2021, it ended 2022 down 37 percent with a year-end closing price of €17.94.

External influences continue to affect our share price performance in the current fiscal year. At the start of the year, falling energy and raw material costs and the re-opening of China fueled hopes of a rapid end to the economic downswing. In parallel with this, our share price rose significantly. In the meantime, it has become evident that weak demand and market instability will accompany us for a long time. That is also impacting the capital markets.
Pleasingly, our employees' interest in our shares is intact. This spring, we launched a further tranche of our "Share" employee share program around the world. Once again, more than 10,000 employees acquired shares in Evonik, a participation rate of around 40 percent. Taking together all the programs we have run since 2014, our employees have acquired approximately 5.5 million shares, slightly more than 1 percent of the capital stock.

For the employee share program in 2023, we purchased a total of 814,090 shares at an average price of €19.65 with a pro rata share of the capital stock of €1 per share. That is about 0.17 percent of our capital stock of €466 million.

For the purchase of these shares, we used the authorization granted by the annual shareholders' meeting in 2020. All the shares have now been transferred to the eligible employees and the surplus has been sold on the market.

Weak 1st quarter—Outlook for 2023 confirmed

And now, ladies and gentlemen, let us look ahead to the future.

We expect 2023 to be another year that is divided into two phases—but this time the other way round: a slow start followed by a successive upturn in our business.

In the first quarter, our adjusted EBITDA was significantly lower than in the previous years at €409 million. To give you an idea of the dimensions of this: In each of past five years, adjusted EBITDA was over €500 million in the first quarter. As expected, the weak economic momentum at year-end 2022 continued at the start of this year. Our customers' warehouses were still full and the destocking continued. Although we were once again able to offset variable costs by adjusting our selling prices, we could not prevent the downturn in volumes.

Given the present economic weakness, predictions are still difficult. That said, we anticipate an improvement in the macro conditions, especially in the second half of the year.

Demand should develop positively, especially for sustainable solutions, for example, for the transition to renewable energy and electromobility. Our six innovation growth fields should also grow further in 2023. On the other hand, we expect to see a significant reduction in earnings in the Animal Nutrition and Performance Intermediates businesses.

Therefore, we are keeping costs in check—that is now ingrained in our DNA. This year, we want to make savings of around €250 million. We will be looking very closely at travel and consulting expenses and postponing hiring.

For the whole year, we expect adjusted EBITDA to reach the lower end of the outlook range of €2.1 billion to €2.4 billion communicated in March, while sales should be between €17 billion and €19 billion. Ambitious targets in the face of so many adverse factors.

Concluding remarks

The future may look unsettled and the uncertainties will accompany us for a long time, but we remain confident. Because Evonik is prepared.

Our green transformation is positioning us well for the future. The Evonik Group is investing intensively in growth areas: in innovative products with a strong sustainability profile, in technologies to enhance the production of chemicals, and in markets that are growing. I have outlined that today.

Even so, one thing needs to be made clear: Although we are paving the way for a sustainable transformation, we cannot achieve it on our own. Close cooperation with politicians, our sector partners, and the trade unions is necessary.

Together we have succeeded in keeping wage agreements moderate and granting our employees tax-exempt one-time payments. In the same way, in the upcoming period we need to focus on creating a political framework that enables us to steer our businesses with as much stability as possible through these difficult times.

Here, I would like to thank the supervisory board, you, our esteemed shareholders, and naturally all Evonik employees for your continued support and trust.

I would be delighted if you would continue to place your trust in Evonik in the future. On behalf of my colleagues on the executive board, I would like to thank you all for your interest and your attention.

EVONIK INDUSTRIES AG
Rellinghauser Straße 1–11
45128 Essen
Germany

www.evonik.com

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